
California Department of Water Resources



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**DWR TAKES ACTION TO SPEED GOVERNOR'S REQUEST TO SLICE
\$1 BILLION FROM ELECTRICITY RATES**

Sacramento – Following Gov. Gray Davis' order to reduce electricity costs to ratepayers, the California Department of Water Resources today released its revised 2003 revenue requirement which provides more than \$1 billion in ratepayer relief from its previous revenue requirement for the same period. The updated revenue requirement will be submitted to the California Public Utilities Commission following a 21-day public review period and should result in reduced costs for utility customers.

The revised revenue requirement estimates that the Department will collect \$3.263 billion during calendar year 2003, a \$1.385 billion reduction from its August 2002 estimates of \$4.648 billion. However, due to \$375 million in expected lower remittances collected by the Department from customers, the total net reduction is \$1.01 billion.

"The critics said the answer to the energy crisis was to pass along 400 percent increases in rates. But my plan from the get-go was to keep rates down, not let them go up," Gov. Davis said. "We are putting money back in the hands of ratepayers instead of into the coffers of energy companies. Our energy plan is working."

The reduction in the Department's revenue requirement is due in part to the successful transition of the daily power buying responsibilities from DWR to California's three investor-owned utilities. DWR stepped in to the power-buying role on Jan. 17, 2001 and later returned those responsibilities to the utilities on Jan. 1, 2003.

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During that period, DWR was successful at holding down runaway cost and stabilizing the overall electricity market, creating a more stable environment for utilities to reenter the power market. A critical component was the injection of new energy supplies and conservation in California. Since Gov. Davis took office in 1999, the California Energy Commission has licensed 36 power plants totaling 13,685 megawatts. Of the 36 plants, 19 are now on-line producing 5,722 megawatts. In addition, 14 projects, representing 8,629 megawatts are currently in the Energy Commission licensing process.

California also is saving up to 3,000 MW, thanks to the Davis Administration's landmark energy conservation plan. The Governor also has signed legislation (SB 1078) to ensure that the State receives 20 percent of its energy from renewable sources by 2017.

The success of the transition has allowed DWR to decrease the amount of its operating reserve and minimum operating account balance by a total \$802 million, as permitted by the bond indenture. In addition, DWR expects to receive \$539 million from Pacific Gas & Electric for energy charges from Jan. 17, 2001 through March 31, 2003. These reductions are offset by forecasted cost increases totaling \$331 millions. Together, these factors allow the Department to reduce its revenue requirement by \$1.01 billion.

DWR's 2003 amended revenue requirement is based on the most up-to-date projections regarding power supplies, natural gas prices, off-system power sales, the cost of ancillary services (capacity reserves), conservation and administrative and general expenses. The Department's revenue requirement – a forecast of its costs and revenue needs for the year – is submitted to the California Public Utilities Commission at least once a year and is subject to adjustments. The Department expects to file its revenue requirement for 2004 later this summer.

The Department will formally file its revised revenue requirement with the CPUC following the public comment period.

For a copy of the updated revenue requirement and to offer input, visit the Department's California Energy Resources Scheduling division web site at www.cers.water.ca.gov.